

- Q. 5. (A)** Modern Geezer Company has two departments. Factory overhead costs are applied based on direct labour cost in Department A and machine hours in Department B. The following information is available: (10)

<u>Budgeted Items</u>	<u>Dept. A</u>	<u>Dept. B</u>
Direct labour cost	Rs.180,000	Rs.165,000
Machine hours	51,000	40,000
Factory overhead cost	Rs.225,000	Rs.180,000

Actual data for Job #10 are as follows:

<u>Actual Items</u>	<u>Dept. A</u>	<u>Dept. B</u>
Direct materials requisitioned	Rs.10,000	Rs.16,000
Direct labour cost	Rs.11,000	Rs.14,000
Machine hours	5,000	3,000

Required:

- (A) Compute the budgeted factory overhead rate for Department A.
- (B) Compute the budgeted factory overhead rate for Department B.
- (C) What is the total overhead cost for Job #10?
- (D) If Job #10 consists of 50 units of product, what is the unit cost of this job?

① Dept A:-

$$\text{Overhead Rate} = \frac{225000}{180000} = \text{Rs. } 1.25/\text{labor cost}$$

② Dept B:-

$$\text{Overhead Rate} = \frac{180000}{40000} = \text{Rs. } 4.5/\text{machine hour}$$

③ Total overhead cost:-

	Rs.
Dept A (1.25 × 11000)	13,750
Dept B (4.5 × 3000)	13,500
Total	<u>27,250</u>

④ Unit cost:-

Total cost:-

$$\text{TC} = \text{DM} + \text{DL} + \text{Applied FOH}$$

$$= (10000 + 16000) + (11000 + 14000) + 27250$$

$$= \text{Rs. } 78,250$$

$$\text{Unit cost} = 78250/50 = \text{Rs. } 1565$$